

**REVIEW OF NONPROFIT, FOR-PROFIT,
AND OTHER ENTITIES
FINANCIAL REPORTING PACKAGES**

For Fiscal Years Ended October 1, 2020, Through
September 30, 2021

Pursuant to Section 215.97(12)(f), Florida Statutes



Sherrill F. Norman, CPA
Auditor General

The team leader was Dylan Hunter, and the audit was supervised by Derek H. Noonan, CPA.

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REVIEW OF NONPROFIT, FOR-PROFIT, AND OTHER ENTITIES FINANCIAL REPORTING PACKAGES

For Fiscal Years Ended October 1, 2020, Through September 30, 2021

SUMMARY

The Florida Single Audit Act (FSAA)¹ requires each nonstate entity that receives State financial assistance and meets the FSAA audit threshold requirements to provide for a Florida single audit. Upon completion of the audit, a financial reporting package is to be filed with the State awarding agencies and with us within 45 days after delivery of the financial reporting package to the auditee but no later than 9 months after the end of the auditee's fiscal year.² Among other things, the financial reporting package is to contain a nonstate entity's audited financial statements, schedule of expenditures of State financial assistance, independent auditor's reports, and management letter.

As of June 30, 2022, 196 nonprofit, for-profit, and other entities that met the FSAA audit threshold requirements had filed financial reporting packages with us for fiscal years ended October 1, 2020, through September 30, 2021. Our examination of the financial reporting package delivery and filing dates and the status of the respective audit firms' licenses found that most of the financial reporting packages were timely filed by properly licensed audit firms.

In addition, pursuant to State law,³ we reviewed a sample of 60 of the 196 financial reporting packages to determine compliance with applicable reporting requirements and found that the information provided was generally presented in accordance with generally accepted accounting principles, generally accepted government auditing standards (GAGAS), the FSAA, Department of Financial Services (DFS) rules,⁴ and Auditor General rules.⁵ However, we noted:

Finding 1: Contrary to State law, 16 of the 196 financial reporting packages were filed with us 6 to 194 days after the 9-month deadline and 5 of those packages plus 10 other financial reporting packages were filed with us 50 to 379 days after delivery of the financial reporting package to the auditee.

Finding 2: The 60 sampled financial reporting packages did not always comply with applicable requirements in the FSAA, DFS rules, and Auditor General rules as:

- For 15 of the 60 applicable financial reporting packages, the auditors did not provide a management letter or a comment stating that no management letter was required.
- For 15 of the 57 applicable financial reporting packages, the auditors miscalculated and reported incorrect dollar thresholds for distinguishing Type A and Type B State projects on the schedule of findings and questioned costs.

¹ Section 215.97, Florida Statutes.

² Section 10.657(2), Rules of the Auditor General.

³ Section 215.97(12)(f), Florida Statutes.

⁴ DFS Rules, Chapter 69I-5, Florida Administrative Code.

⁵ Chapter 10.550, Rules of the Auditor General for Local Government Entity Audits, and Chapter 10.650, Rules of the Auditor General for Florida Single Audit Act Audits of Nonprofit and For-Profit Organizations.

- For 8 of the 60 applicable financial reporting packages, the entities did not provide the audit report delivery date to the auditee.

Finding 3: Audits of five entities were performed by three different audit firms that did not hold active or temporary licenses certified by the Florida Board of Accountancy as of the date of the auditors' reports on the financial statements.

BACKGROUND

The Florida Single Audit Act (FSAA) requires each nonstate entity that expends a total amount of State financial assistance (SFA),⁶ equal to or in excess of the \$750,000 audit threshold,⁷ to have a Florida single audit conducted in accordance with the FSAA.

State law⁸ and Department of Financial Services (DFS) rules⁹ establish several requirements that independent certified public accountants (CPAs) must follow when conducting Florida single audits of nonprofit, for-profit, and other entities. To assist auditors in complying with these requirements, generally accepted government auditing standards, and applicable laws, rules, and regulations, we developed rules¹⁰ and other guidelines that provide, among other things, procedural guidance for CPAs to follow. These rules and guidelines are made available on our Web site.

Upon completion of a Florida single audit, a financial reporting package is to be filed with the State awarding agency and us.¹¹ The financial reporting package is to be filed in accordance with Auditor General rules.¹² Pursuant to Auditor General rules,¹³ each financial reporting package is to be a single document and contain, among other things, the entity's audited financial statements, schedules, and notes thereto; the independent auditor's report on the basic financial statements and report on internal control and compliance; a management letter with the auditor's comments and recommendations; and the auditor's reports and related financial information required pursuant to the FSAA and Auditor General rules including:

- A schedule of expenditures of SFA.
- A report that includes an opinion (or disclaimer of opinion) as to the fair presentation of the schedule of expenditures of SFA.

⁶ Section 215.97(2)(r), Florida Statutes, defines SFA as State resources, not including Federal financial assistance and State matching on Federal programs, provided to a nonstate entity to carry out a State project. SFA may be provided directly by State awarding agencies or indirectly by nonstate entities. SFA does not include procurement contracts used to buy goods or services from vendors and contracts to operate State-owned and contractor-operated facilities.

⁷ Section 215.97(2)(a), Florida Statutes.

⁸ Section 215.97(10) and (11), Florida Statutes.

⁹ DFS Rules, Chapter 69I-5, Florida Administrative Code.

¹⁰ Chapters 10.550 and 10.650, Rules of the Auditor General. Chapter 10.550, Rules of the Auditor General, prescribes FSAA auditing and reporting standards for local governmental entities, including those that meet the definition in Section 215.97(2)(k), Florida Statutes, but are not local governmental entities as enumerated in Section 218.39, Florida Statutes. Such entities are referred to as "other entities" in this report. Chapter 10.650, Rules of the Auditor General, prescribes FSAA auditing and reporting standards for nonprofit and for-profit organizations.

¹¹ Section 215.97(8)(g), Florida Statutes.

¹² Section 215.97(8)(h), Florida Statutes.

¹³ Sections 10.557(3) and 10.656(3), Rules of the Auditor General.

- A report on compliance, and on internal control over compliance, with major State project requirements.
- A schedule of findings and questioned costs.
- A summary schedule of prior audit findings, if applicable.
- A corrective action plan, if applicable

State law¹⁴ requires us to perform ongoing reviews of a sample of financial reporting packages filed with us pursuant to the FSAA to determine compliance with the reporting requirements of the FSAA and applicable rules. As of June 30, 2022, 196 nonprofit, for-profit, and other entities that met the FSAA audit threshold had filed financial reporting packages with us for fiscal years ended October 1, 2020, through September 30, 2021.

FINDINGS AND RECOMMENDATIONS

Finding 1: Noncompliance – Financial Reporting Package Filing Requirements

Auditor General rules¹⁵ provide that financial reporting packages required to be filed pursuant to the Florida Single Audit Act (FSAA)¹⁶ are to be filed with the State awarding agencies and us within 45 days after delivery of the financial reporting package to the auditee but no later than 9 months after the end of the auditee’s fiscal year. The auditee is to indicate in correspondence accompanying the financial reporting package the date the financial reporting package was delivered to the auditee.

As of June 30, 2022, 196 nonprofit, for-profit, and other entities¹⁷ that met the FSAA audit threshold requirements had filed financial reporting packages with us for fiscal years ended October 1, 2020, through September 30, 2021. However, 26 of those entities did not comply with one or more of the financial reporting package filing requirements. Specifically:

- 16 entities filed financial reporting packages with us 6 to 194 days, or an average of 59 days, after 9 months had elapsed since the entity’s fiscal year end. A listing of the 16 entities is included as ***EXHIBIT A*** to this report.
- 15 of the entities, including 5 of the entities that filed financial reporting packages after the 9-month time frame, filed financial reporting packages with us 5 to 334 days, or an average of 76 days, after 45 days had elapsed since reports were delivered to the entities’ governing bodies. A listing of the 15 entities is included as ***EXHIBIT B*** to this report.

Timely audits are necessary to ensure compliance with Auditor General rules and that management and those charged with governance are promptly informed of control deficiencies and noncompliance with the FSAA. Additionally, timely submitted financial reporting packages provide for timely review by the applicable State entities with oversight responsibilities.

¹⁴ Section 215.97(12)(f), Florida Statutes.

¹⁵ Sections 10.558(4) and 10.657(2), Rules of the Auditor General.

¹⁶ Section 215.97(8)(g), Florida Statutes.

¹⁷ For the purpose of our review, “other entities” are local governmental entities other than those enumerated in Section 218.39, Florida Statutes. The only other entity considered for this review project was the Florida Governmental Utility Authority.

Recommendation: Audited entities should ensure that Florida single audits are timely conducted and that financial reporting packages are timely filed in accordance with State law.

Finding 2: Financial Reporting Package Completeness

To determine the extent to which the filed financial reporting packages complied, for selected significant matters, with generally accepted accounting principles (GAAP), generally accepted government auditing standards (GAGAS), the FSAA, Department of Financial Services (DFS) rules,¹⁸ and Auditor General rules,¹⁹ we selected a sample of 60 of the 196 financial reporting packages we received as of June 30, 2022, and performed completeness reviews.

We found that most of the 60 financial reporting packages included audited financial statements, schedules, and notes thereto; the required independent auditor's reports on the basic financial statements and on internal control and compliance; and other information required by GAAP, GAGAS, the FSAA, DFS rules, and Auditor General rules. However, we also noted that:

- Auditors for 15 of the 60 applicable financial reporting packages did not provide a management letter or indicate in the schedule of findings and questioned costs that no management letter was required. The inclusion of the management letter in the financial reporting package is required by Auditor General rules²⁰ and provides useful information concerning the entity's noted deficiencies related to State financial assistance.
- Auditors for 15 of the 57 applicable financial reporting packages misreported dollar thresholds for distinguishing Type A and Type B State projects on the schedule of findings and questioned costs because the auditors either did not include the threshold at all or did not calculate the thresholds in accordance with DFS rules.²¹ As the DFS risk-assessment process requires auditors to consider the threshold in determining major State projects and selecting the State projects to audit, threshold miscalculations could cause auditors to overlook high-risk State projects, reducing the audit's effectiveness and accountability over the projects.
- For 8 of the 60 applicable financial reporting packages, the date that the financial reporting package was delivered to the auditee was not indicated as required by Auditor General rules. The delivery date is necessary to determine whether a report is filed with us within 45 days after delivery of the financial reporting package to the auditee in accordance with State law.²²

Recommendation: Entities and their auditors should ensure that financial reporting packages contain all the required information presented in accordance with applicable laws and rules.

Finding 3: Certified Public Accountant Licenses

Pursuant to State law²³ and Auditor General rules,²⁴ FSAA audits must be performed by independent certified public accountants licensed pursuant to State law.²⁵ State law requires individuals or firms that

¹⁸ DFS Rules, Chapter 69I-5, Florida Administrative Code.

¹⁹ Chapters 10.550 and 10.650, Rules of the Auditor General.

²⁰ Section 10.656(3)(e), Rules of the Auditor General.

²¹ DFS Rule 69I-5.008(2) and (3), Florida Administrative Code.

²² Section 215.97(8)(g), Florida Statutes.

²³ Section 215.97(8)(f), Florida Statutes.

²⁴ Chapters 10.554(1)(c) and 10.654(1)(b)), Rules of the Auditor General.

²⁵ Section 473.308, Florida Statutes.

practice public accountancy within the State to hold active licenses certified by the Florida Board of Accountancy (Board). Pursuant to State law,²⁶ the Florida Department of Business and Professional Regulation (DBPR) is to license any applicant who the Board certifies is qualified to practice public accounting.

Based on information provided to us by Board staff and examination of the 196 financial reporting packages filed with us as of June 30, 2022, we determined that 2 of the FSAA audits were performed by two different audit firms that did not hold an active or temporary license issued by the Board as of the date of the auditor's report on the financial statements. In addition, another three FSAA audits were performed by an audit firm with a license on probationary status as of the dates of the auditor's reports on the financial statements.

We informed Board staff of the three firms, which may be subject to disciplinary actions as prescribed by State law.²⁷

Recommendation: Prior to contracting for FSAA audits, entities should verify through the DBPR that audit firms hold active or temporary licenses certified by the Board.

²⁶ Section 473.308(1), Florida Statutes.

²⁷ Section 473.323, Florida Statutes.

OBJECTIVES, SCOPE, AND METHODOLOGY

Pursuant to Section 11.45, Florida Statutes, the Auditor General conducts audits of governmental entities and performs other engagements to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

The objectives of this project were to determine whether the financial reporting packages filed with us for nonprofits, for-profits, and other entities that met the Florida Single Audit Act (FSAA) threshold:

- Complied with generally accepted accounting principles, generally accepted government auditing standards (GAGAS), the FSAA,²⁸ Department of Financial Services (DFS) rules,²⁹ and Auditor General rules.³⁰
- Were prepared by independent certified public accountants (CPAs) properly licensed by the Florida Board of Accountancy.

The scope of this project included, for the 196 financial reporting packages filed with us as of June 30, 2022, for nonprofits, for-profits, and other entities that met the FSAA audit threshold for fiscal years ended October 1, 2020, through September 30, 2021, an examination of the financial reporting package delivery and filing dates and the status of the respective audit firms' licenses based upon Florida Board of Accountancy and Florida Department of Business and Professional Regulation records. The scope also included a review of a sample of 60 of those financial reporting packages to determine compliance with applicable reporting requirements. For the purpose of our review, "other entities" are local governmental entities other than those enumerated in Section 218.39, Florida Statutes. The results of our review of local governmental entity compliance with FSAA reporting requirements for the entities enumerated in Section 218.39, Florida Statutes, will be the subject of a separate report.

We planned and performed the review to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our objectives.

Our review was necessarily limited to the contents of the financial reporting packages filed with us and did not extend to an examination of the CPAs' working papers or a determination of whether the auditors followed all applicable GAGAS in the actual conduct of the audits. Because our review was limited to the content of the financial reporting packages filed with us, our review cannot be used as the basis for determining the extent of the entities' compliance with applicable laws, rules, contractual requirements, or bond covenants. Likewise, our review would not disclose whether the auditor reported all instances of noncompliance or reportable internal control deficiencies noted during the audit, or whether certain required financial disclosures were completely omitted.

²⁸ Section 215.97, Florida Statutes.

²⁹ DFS Rules, Chapter 69I-5, Florida Administrative Code.

³⁰ Chapters 10.550 and 10.650, Rules of the Auditor General.

AUTHORITY

Section 215.97(12)(f), Florida Statutes, requires the Auditor General to perform ongoing reviews of a sample of financial reporting packages filed pursuant to the Florida Single Audit Act to determine compliance with the reporting requirements of the Act and applicable Department of Financial Services rules and Auditor General rules. Pursuant to the provisions of State law, I have directed that this report be prepared to present the results of our review of nonprofit, for-profit, and other entity financial reporting packages for fiscal years ended October 1, 2020, through September 30, 2021.

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is fluid and cursive, with a large initial 'S' and 'N'.

Sherrill F. Norman, CPA
Auditor General

EXHIBIT A

NONPROFIT, FOR-PROFIT, AND OTHER ENTITIES FINANCIAL REPORTING PACKAGES FILED AFTER 9-MONTH DEADLINE

FOR FISCAL YEARS ENDED OCTOBER 1, 2020, THROUGH SEPTEMBER 30, 2021

Entity	Package Received	Number of Days Late
1 Mayo Clinic ^a	04/12/22	194
2 St. Johns County Council On Aging, Inc.	04/04/22	186
3 Areawide Council on Aging of Broward County, Inc.	01/12/22	104
4 Northwest Florida Area Agency On Aging, Inc.	01/10/22	102
5 Area Agency on Aging for Southwest Florida, Inc. ^a	01/04/22	96
6 Crosswinds Youth Services, Inc.	06/14/22	75
7 Early Learning Coalition of Escambia County	05/12/22	42
8 Lauren's Kids, Inc.	11/04/21	35
9 Early Learning Coalition of Brevard County, Inc. (Brevard School Readiness Coalition, Inc.)	05/03/22	33
10 Hillsborough Education Foundation, Inc. ^a	04/19/22	20
11 Housing First Steps Forward, Inc., and Subsidiaries	10/14/21	14
12 Early Learning Coalition of Orange County	04/13/22	13
13 Stetson University ^a	04/11/22	12
14 Florida Association of Agencies Serving the Blind, Inc.	10/06/21	6
15 Florida Sheriffs Association, Inc.	04/06/22	6
16 Lifestream Behavioral Center, Inc. ^a	04/06/22	6
Average Number of Days Late		59

^a Report was also filed more than 45 days after delivery of the financial reporting package to the entity's governing body. See **EXHIBIT B**.

EXHIBIT B

**NONPROFIT, FOR-PROFIT, AND OTHER ENTITIES
FINANCIAL REPORTING PACKAGES
FILED MORE THAN 45 DAYS AFTER FINANCIAL REPORTING PACKAGE
WAS DELIVERED TO THE ENTITY'S GOVERNING BODY**

FOR FISCAL YEARS ENDED OCTOBER 1, 2020, THROUGH SEPTEMBER 30, 2021

Entity	Number of Days Package	
	Filed After Delivery to Auditee	Filed Late
1 Mayo Clinic ^a	379	334
2 Stetson University ^a	186	141
3 Hillsborough Education Foundation, Inc. ^a	160	115
4 University of Florida Foundation, Inc.	154	109
5 University of Central Florida Foundation, Inc.	147	102
6 Johns Hopkins Health System Corporation and Affiliates	107	62
7 Embry-Riddle Aeronautical University, Inc.	99	54
8 Area Agency on Aging for Southwest Florida, Inc. ^a	91	46
9 Harbor Branch Oceanographic Institution, Inc. (A DSO)	91	46
10 Florida Atlantic University Foundation	84	39
11 Lifestream Behavioral Center, Inc. ^a	76	31
12 Barry University Inc. and Subsidiary	66	21
13 University of West Florida Foundation, Inc.	62	17
14 Suwannee River Economic Council, Inc.	58	13
15 Citrus Research and Development Foundation	50	5
Average Number of Days	121	76

^a Financial reporting package was also filed after 9-month deadline. See **EXHIBIT A**.